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Substantive preparations for the Conference

Report of the regional-level preparatory review meeting for Asia-Pacific and Yemen

Summary

The High-level Asia-Pacific Policy Dialogue on the Brussels Programme of Action for the Least Developed Countries was held in Dhaka from 18 to 20 January 2010. It was part of the preparatory process for the Fourth United Nations Conference on the Least Developed Countries that will be held in Turkey in 2011 (pursuant to General Assembly resolution 63/227). The Policy Dialogue, which involved 13 least developed countries of the Asia-Pacific region and Yemen, was attended by some 120 stakeholders of the Brussels Programme of Action, including States members of the Economic and Social Commission for Asia and the Pacific organizations of the United Nations system, relevant international and regional organizations, development partners and a broad spectrum of civil society representatives.

The objective of the meeting was to undertake a comprehensive review of the implementation of the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010 and to propose measures at the national, regional and international levels to advance the development of least developed countries in the next decade. The Policy Dialogue showed that, although some progress has been made in achieving the key objectives of the Brussels Programme of Action, the least developed countries continue to suffer from multiple development challenges. It also made proposals for a new programme of action.

* A/CONF.219/IPC/1.

The Outcome Document was deliberated on and endorsed at the last day of the three-day High-level Asia-Pacific Policy Dialogue. Subsequently it was submitted to the Commission in connection with the regional review conducted by the Commission at its sixty-sixth session, held from 13 to 19 May 2010 in Incheon, Republic of Korea. The Commission took note of the Dhaka Outcome Document (E/ESCAP 66/6).

I. Dhaka Outcome Document

1. The High-level Asia-Pacific Policy Dialogue on the Brussels Programme of Action for the Least Developed Countries concludes that, despite significant progress achieved in different areas, such as the achievement of a targeted growth rate and increased investment ratios for a number of countries, the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (Brussels Programme of Action)¹ as yet remains an unfinished agenda for the Asia-Pacific least developed countries. Least developed countries have, in general, lagged behind others in achieving the Millennium Development Goals and other internationally agreed development goals. In addition to their slow progress in the attainment of key goals and targets agreed upon in the Programme of Action, the Asia-Pacific least developed countries have suffered from multiple effects of the food and energy crisis, the global financial and economic crisis, and the effects of climate change in the real sectors of their economies, threatening to undermine the development gains achieved so far, as well as negatively affecting future prospects. The increased frequency of natural disasters in the Asia-Pacific least developed countries, together with their inability to address the impacts, has increased their vulnerability, undermining their economic development. In particular, progress towards the reduction of poverty and hunger and the achievement of the Millennium Development Goals has been slowed down and the countries have encountered difficulties in securing cost-effective financing for development.

2. The Asia-Pacific least developed countries, on average, had achieved investment to gross domestic product (GDP) ratios of more than 25 per cent by 2007. That was partly related to the diversification of exports of some Asian least developed countries into manufacturing. Thus, 7 out of 14 Asia-Pacific least developed countries met the target growth rate of 7 per cent for most of the decade. However, in other areas, such as urban access to water, gender equality in tertiary education and, especially, poverty reduction, very few countries had made sufficient progress before the 2008 economic crisis. Similarly, in some areas, such as primary education (including gender equality) and tuberculosis prevalence, the majority of the 15 Asia-Pacific least developed countries are among the early achievers or are on track in reaching the related Millennium Development Goals.

3. The food and fuel crisis and the financial and economic crisis have highlighted the vulnerabilities of Asia-Pacific least developed countries to external shocks. The financial crisis affected these countries through different channels, including trade of goods and services, foreign direct investment (FDI), remittances, official development assistance (ODA) and financial markets. These effects, in turn, reduced employment, capital inflows and government revenue, thus limiting policy space to address their structural impediments to development.

4. Least developed countries are more vulnerable than other countries to the effects of climate change for several reasons. First, many of them, such as small island States and low-lying coastal States, are the most exposed to the consequences of global warming, such as a rise in sea level. Second, this vulnerability has been intensified by the high proportion of their economies that is accounted for by agriculture. Third, the melting of the glaciers in the Himalayas is creating far-reaching negative consequences for the downstream countries. Fourth, the increased

¹ A/CONF.191/13, chap. II.

frequency of natural disasters has further aggravated their vulnerability and reduced their ability to mitigate the impacts of natural disasters. The island least developed countries are even more prone to the existential threat of climate change impact on their livelihood and national security, which allows them to exist as sovereign States, with some already experiencing internally displaced climate change refugees. Their small, open and narrow economies, which rely heavily on the trade of a few primary commodities and services, make it necessary for the Economic and Social Council to seriously consider the economic vulnerability of the island least developed countries in its assessment of whether to graduate them from the list of least developed countries. The meeting highlighted the cases of Maldives and Samoa and the recent earthquake in Haiti as strong evidence of the extreme vulnerability faced by the island least developed countries and the need for the international community to urgently support their adaptation and mitigation programmes.

A. Mobilizing enhanced international and regional support measures and action in favour of the least developed countries and formulating a renewed partnership

5. Mobilizing financial resources for development and their effective use are central to the attainment of the Millennium Development Goals, other internationally agreed development goals and Brussels Programme of Action targets and for strengthening a new global partnership for the sustainable and inclusive development of the Asia-Pacific least developed countries.

6. Although implementing the Brussels Programme of Action is the primary responsibility of individual least developed countries, the domestic economies of these countries are now interwoven with the global economic system. Therefore, the support of an enabling international economic environment, the effective use of trade and investment opportunities, and global financial and technical assistance are important for the Asia-Pacific least developed countries in implementing the Programme of Action. The Policy Dialogue notes with concern, however, that the commitments made under the Brussels Programme of Action in the areas of trade, aid and financial flows remain largely unfulfilled for the Asia-Pacific least developed countries.

1. Trade

7. The Asia-Pacific least developed countries have remained marginalized in international trade. They need urgent and wide-ranging trade-related technical assistance in order to fully utilize the benefits offered by international trade for their development.

8. Although most Asia-Pacific least developed countries have managed to diversify into labour-intensive manufacturing exports, there is a need to substantially expand and further diversify their production and export supply capacity. This would enable them to increase their share in global trade, enhance their value added and value retained from exports and improve their terms of trade. To further enhance the share of the least developed countries in global trade, greater efforts are needed towards the achievement of subregional and regional economic

integration and enhanced trade and investment flows. There is also a need to diversify exports by sector and destination market.

9. In this context, the Policy Dialogue calls for enhanced levels of support and assistance from development partners to enhance their supply-side capacity and trade diversification. It also calls for the early, fair and balanced conclusion of the Doha Round of multilateral trade negotiations by 2010 and the early harvest of duty-free and quota-free market access for the least developed countries. It further calls for a dedicated facility with resources to address the supply-side constraints.

10. In order to enhance substantially the share of least developed countries in world trade and its contribution to their development, they need to be provided with enhanced and predictable market access by their partners, support for establishing cost and quality competitive export supply capacity and the building of trade-related infrastructure.

11. Tariff and non-tariff barriers and subsidies in developed countries adversely affect the export earnings of the Asia-Pacific least developed countries. Although developed countries generally levy lower overall tariffs on exports from developing countries, tariff peaks are applied on agricultural and labour-intensive products. As a result, least developed countries face higher average tariffs than their developed country counterparts.

12. For the Asia-Pacific least developed countries, full implementation of duty-free and quota-free market access by developed countries and developing countries in a position to do so, as agreed in the Hong Kong Ministerial Declaration,² is critical to integrating beneficially into the global trading system.

13. Most least developed countries have preferential access to industrial country markets under the Generalized System of Preferences (GSP). The benefits of many GSP schemes are, however, limited. Preference margins are usually smaller for sensitive products, which enjoy the greatest protection, and the fact that a large number of countries (often with similar export structures) benefit from preference schemes reduces any competitive advantage the schemes might convey. More transparent and simplified rules of origin, allowing for cumulation of origin, at least at the regional level, could improve the use and value of preferences, as would more comprehensive product coverage. Least developed countries should be granted greater preferential treatment than other countries to enable them to offset some of their disadvantages.

14. Further liberalization of merchandise trade, especially of agricultural products, textiles and clothing, could generate large benefits for the Asia-Pacific least developed countries in terms of incomes, exports and employment. These benefits would derive not only from the elimination of access barriers to industrial country markets but also from the reform of the trade regimes of these countries.

15. There is also a need to move towards a multilateral trading system that takes special account of the interests of the least developed countries, including eliminating tariff peaks and escalation, tightening disciplines on recourse to trade remedies, providing more capacity-building assistance to these countries to enable

² World Trade Organization, document WT/MIN(05)/DEC. Available from <http://docsonline.wto.org>.

them to navigate technical and health-related barriers, and extending full duty- and quota-free access for exports from the Asia-Pacific least developed countries.

16. In the context of the Doha Development Agenda,³ the members of the World Trade Organization (WTO) are committed to negotiations aimed at substantially improving market access for agricultural and industrial products, especially the products of export interest to developing countries and least developed countries. The Policy Dialogue underlines the importance and urgency of concluding the Doha Round by 2010. Increasing market access for the least developed countries is indeed a necessary first step in helping them grow their economies, but it is not sufficient. It must be an integral part of a broader strategy to promote a vigorous supply response in the least developed countries. Inefficiencies in key infrastructure sectors, such as telecommunications, transport and financial services, often add more to the export costs of these countries than foreign trade barriers. Thus, Asian least developed countries also need technical assistance to participate effectively in the multilateral trading system, for which effective implementation of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries is required. Aid for trade should be aligned to the national development strategies of individual countries and aimed at enhancing trade capacity and international competitiveness through support in specific areas, such as trade policy and regulations, trade development, building productive capacities, trade-related infrastructure and trade-related adjustments. The implementation and enhancement of aid for trade should be a complement to and not a substitute for a successful outcome of the Doha Round of negotiations, and least developed countries should receive priority attention for the disbursement of funds from aid for trade.

17. The subsidization of agriculture in the developed countries depresses world prices of commodities and increases price volatility, which hurts least developed countries and their poorest citizens, since agriculture is the dominant economic activity in rural areas. The costs to the global economy of distortions in agricultural trade are also large.

18. In addition, measures to address some of the factors that have contributed to the severe volatility of food and commodity prices should be explored. They include the support measures for the use of biofuels which have diverted food for human consumption and the effects of excessive speculation. To compensate for the high volatility of commodity prices, commodity stabilization funds, insurance schemes and a higher level of stocks, preferably at the regional level, should be explored.

2. Financing for development

19. The magnitude of net FDI inflows in Asia-Pacific least developed countries is much lower than the amount of ODA received by these countries, indicating their higher dependence on ODA. Although both ODA and FDI had increasing trends in the 2000s, the increase in ODA flows in the Asia-Pacific least developed countries slowed down from 2005 against an increasing trend of FDI inflows.

(a) Financing

20. The bulk of FDI in least developed countries is of the resource-seeking type, while FDI directed towards the Asia-Pacific least developed countries is mostly

³ See A/C.2/56/7, annex.

efficiency-seeking. The exploitation of the potential positive impacts of FDI on knowledge accumulation in host countries hinges on a number of conditions, many of which are not present in these countries.

21. There is a heightened need for the Asia-Pacific least developed countries to refocus policy attention on developing productive capacities. This means that policies aimed at attracting FDI should be oriented towards stimulating productive investment, building technological capacities, developing infrastructure and strengthening linkages within and across sectors and between different enterprises. Strengthening domestic productive capacities should also be aimed at producing a wider range of more sophisticated products.

22. Given that many least developed countries have not been able to attract FDI despite liberalization and reform, in order to enhance private capital flows, there is a need to strengthen national, bilateral and multilateral efforts to overcome structural and other constraints limiting their attractiveness as destinations for private capital and FDI. Bilateral and multilateral partners can provide technical, financial and other forms of assistance; share best practices; promote and strengthen partnerships and cooperation arrangements; provide guarantees; and support national efforts to create a stable and predictable investment climate.

23. Global support is needed for private foreign investment, especially in infrastructure development and other priority areas, including bridging the digital divide that exists in the Asia-Pacific least developed countries. The global support can take various forms, including export credits, co-financing, venture capital and other lending instruments, risk guarantees, the leveraging of aid resources, business development services and funding for feasibility studies.

(b) Remittances

24. Remittances have emerged as a significant source of foreign currency in many of the Asia-Pacific least developed countries. In this context, remittances are not a substitute for FDI, ODA, debt relief or other public sources of development finance for the least developed countries. They are typically wages transferred to meet the needs of recipient households and the nature of their disposal is a matter of household decisions. In view of the growing importance and potential of the export of services for the Asia-Pacific least developed countries, the modalities for special treatment for least developed countries in the WTO negotiations on trade in services, granting secure and predictable preferential and more favourable treatment to services and service suppliers of least developed countries, should be fully implemented. In this regard, priority needs to be accorded to methods and mode of supply, in particular, on the movement of natural persons under mode 4. The Policy Dialogue calls for closer cooperation and understanding between the sending and destination countries of migrant workers. In addition to measures to reduce transaction costs, where significant progress has been made, receiving countries should also improve working conditions for migrants and reduce unreasonable restrictions on labour migration. Cooperation between origin and destination countries to increase and harness the contribution of migrant workers towards brain gain and circulation and skills development in least developed countries is required.

25. The Policy Dialogue notes the ongoing preparation for the establishment of an international migrant remittances observatory for least developed countries. It calls upon the Coordination Bureau to finalize the memorandum of understanding for the

implementation of the pilot programme, as directed by the Ministerial Meeting of the Least Developed Countries, held in New York on 29 September 2009.⁴

(c) ODA and debt relief

26. ODA continues to play a very important role in the implementation of the Brussels Programme of Action in the Asia-Pacific least developed countries and the achievement of the internationally agreed development goals, including the Millennium Development Goals. ODA has a potential catalytic role in assisting these countries in promoting sustainable and inclusive development; enhancing social, institutional and physical infrastructure; promoting FDI; adapting trade and technological inventions and innovations; improving health and education; fostering gender equality; ensuring food security; and reducing poverty. Development partners should also establish specific and dedicated funding mechanisms to deal with financial, food and fuel crises, especially in the least developed countries.

27. Despite a significant increase in ODA to least developed countries in recent years, only 9 out of 22 donors of the Development Assistance Committee of the Organization for Economic Cooperation and Development met the target of providing at least 0.15 per cent of their gross national income in ODA to least developed countries in 2008. Unfortunately, current spending plans of Development Assistance Committee members only indicate a 1 per cent increase in ODA to least developed countries from 2008 to 2010, which would result in a decline of aid per capita. Thus, concrete steps to increase aid in a reasonable time period should be committed to by donors who have not reached the target of 0.2 per cent of their gross national income. There should be not only proportional but also progressive targeting of ODA and an attempt to scale up ODA to meet the needs identified and prioritized by least developed countries. These priorities include economic infrastructure-building, food security and agricultural and rural development, skills development, social infrastructure to enable universal access to essential services and aid for leapfrogging into green production. Aid for "new" purposes, such as aid for trade and financing for adaptation to climate change, needs to be truly additional and should not divert resources from other internationally agreed goals.

28. At the same time, efforts need to be made to continue to improve the quality of ODA and increase its development impact by building on the fundamental principles of national ownership, alignment, harmonization and managing for results, as agreed in the 2005 Paris Declaration⁵ and the 2008 Accra Agenda for Action.⁶ This includes, especially, aligning aid by sector with internationally agreed development goals and country priorities, untying aid to least developed countries, and increasing predictability and further debt relief efforts.

29. Specifically, no conditions should be attached to aid that are not in line with the goals of the national development strategies of least developed countries. Capacity-building is the responsibility of least developed countries, with development partners playing a supportive role. Development partners should use a

⁴ See A/C.2/64/3, para. 11.

⁵ Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability, adopted at the High-level Forum on the question of "Joint Progress towards Enhanced Aid Effectiveness: Harmonization, Alignment, Results", held in Paris from 28 February to 2 March 2005 (see www.oecd.org/dataoecd/11/41/34428351.pdf).

⁶ A/63/539, annex.

country's own institutions and systems and support capacity-building in this area and should avoid the establishment of parallel service delivery mechanisms. Activities that undermine national institution-building should be avoided. Development partners should provide indicative commitments of aid and disburse aid in a timely and predictable fashion. Mutual assessment reviews should be led by recipient countries and should include all stakeholders. Development partners are encouraged to support institutional capacity development so that least developed countries can enhance their absorptive capacities in order to increase the transfer of resources from development partners.

30. Furthermore, in the light of the effects of the financial and economic crisis, it is crucial to ensure that aid systems are flexible enough to react faster when large external shocks occur. Aid needs to be countercyclical to have the largest effect on the economies of the recipient countries, and it should be flexible enough to leave policy space for least developed countries to offset the effects of those shocks. It is therefore necessary to establish a crisis mitigation and resilience-building fund to help least developed countries, as the most vulnerable economies, to withstand the shocks and build their long-term resilience.

31. Progress has been made in recent years on voluntary innovative sources of financing and innovative programmes, such as the Global Action Initiative against Hunger and Poverty, the Leading Group on Solidarity Levies to Fund Development and the United States Millennium Challenge Corporation. These initiatives need to be scaled up and their implementation needs to be expanded further to the disadvantaged people of the Asia-Pacific least developed countries. There is a need to set up special purpose thematic funds dedicated to and earmarked for least developed countries, such as a commodity stabilization fund, a technology fund, a diversification fund and environment-related funds. It is important that least developed countries be able to determine the terms of access to these funds and have equitable representation in their governance.

32. The outstanding external debt of the Asia-Pacific least developed countries in relation to their GDP has increased in the case of island countries. For other least developed countries, the debt-to-GDP ratio has decreased marginally. The lower debt-to-GDP ratio translates into manageable debt servicing and most of these countries had maintained their relatively satisfactory debt position before the onset of the financial and economic crisis through a mixture of strong export growth and prudent external financing.

33. The Policy Dialogue calls for the full involvement of both parties in debt negotiations and notes the importance of taking into account the national policies of debtors and their strategies linked to implementing the Brussels Programme of Action and attaining international development goals, including the Millennium Development Goals. The current global financial and economic crises require the implementation of bold initiatives and mechanisms to resolve the debt problems of the Asia-Pacific least developed countries in an equitable and effective manner. Technical assistance to manage debt and address debt problems is crucial to many least developed countries, especially the most vulnerable ones.

34. Commitments to provide additional resources to least developed countries made at the G8 and G20 summits should be implemented expeditiously and monitored by the international community. Given the far-reaching impact on the least developed countries of policies initiated by the Financial Stability Board of the

G20, it is important that least developed countries be represented in that body. There should be an equitable presence of least developed countries in the governing structure of such funds. The process of ongoing reform of the international financial architecture must address the need for greater representation of the least developed countries in the international financial institutions. United Nations platforms for discourse, such as the United Nations Development Assistance Framework and the United Nations Development Group, may liaise more intensively with governments and other development partners for the enhanced and speedy allocation of aid.

3. Climate change

35. Climate change is a serious challenge that threatens to wipe out development gains in many least developed countries, in a number of cases posing a threat to their physical existence itself. Most least developed countries are on the front line of climate change and have diverted scarce resources meant for socio-economic development to adaptation and mitigation programmes. Therefore, funds promised by developed countries at the fifteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 15) in Copenhagen need to be disbursed urgently. The commitments made by developed countries to provide new and additional resources for climate change mitigation and adaptation should be fast-tracked and the allocation of resources should be prioritized for least developed countries, as they are among the most vulnerable countries. The flow of resources to the least developed countries must be guaranteed to counter the adverse effects of climate change, as well as any external shocks, such as financial or food-fuel crises.

36. The Policy Dialogue calls for a clear and transparent mechanism to govern the disbursement of funds to implement mitigation and adaptation programmes in the least developed countries, as promised at COP 15. Priority should be given to those least developed countries that are most vulnerable to the effects of climate change and natural disasters.

37. A new development strategy and development cooperation compact based on green growth to deliver a new green deal for least developed countries is required to assist them in fostering more inclusive and sustainable development. The least developed countries need to be assisted by transfer of technology and access to financing to upgrade infrastructure and production capacity to make them more environmentally friendly and at the same time to enable these countries to speed up structural transformation. The least developed countries and their developed country partners must work together to ensure green production and consumption patterns.

B. Effective international and domestic policies in the light of the outcome of the regional review and new and emerging challenges and opportunities

1. Growth and macroeconomic policies

38. The Asia-Pacific least developed countries need to maintain strong macroeconomic fundamentals aimed at sustained and high economic growth leading to expanding employment opportunities, with macroeconomic stability, including low and stable inflation, and sustainable domestic and external imbalances.

39. Countries need to utilize the full scope of appropriate countercyclical policies to maintain economic and financial stability in the face of domestic and external shocks; they would help avoid abrupt economic fluctuations, which could have a negative impact on income distribution and resource allocation.

40. The Asia-Pacific least developed countries should focus on sector-specific development policies, including agricultural and industrial policies, infrastructure development and the promotion of pro-poor growth, but these policies must be tailored to country circumstances. Specifically, they need to ensure a proactive role for public investment in creating a virtuous cycle of investment and spurring inclusive growth. For that reason, the countries need to implement fiscal and tax reforms, improve budgetary processes, improve the quality of public expenditure, promote financial inclusion through creative monetary policies and enhance the transparency of public financial management. The efficient and equitable use of scarce resources is one cornerstone of good governance.

2. Poverty, hunger and food security

41. Having assessed the current situation of poverty and hunger in the 15 Asia-Pacific least developed countries and examined why poverty and hunger persist in these countries, the Policy Dialogue notes that progress achieved so far shows larger reductions in poverty in those living close to \$1 a day than those living in ultra-poverty in most of these countries, implying that the benefits of growth have accrued more to those living close to the \$1 a day poverty line than those living further away from it. The Policy Dialogue calls for greater policy attention to be paid to the extremely poor and most vulnerable groups, including indigenous peoples and those living in remote areas.

42. The overall progress against hunger has also been slow. While the incidence of food energy deficiency has improved somewhat in several countries, progress in terms of reducing the share of underweight children and achieving a decline in the under-5 mortality rate has been slower, resulting in slower progress towards the achievement of the Millennium Development Goals.

43. Policies are needed to expand the limited endowments of the poor and the vulnerable groups. They would include measures to enhance the quantity and quality of endowments of the poor groups, for example, expanding ownership and access to productive assets by improving credit markets; implementing redistributive policies and removing entry barriers; expanding human capital through access to education and skills; reducing vulnerability and enhancing capacity to absorb shocks by introducing insurance programmes for the poor and expanding health services; reducing gender discrimination and empowering women; providing social security and safety nets; and undertaking targeted measures of various kinds.

44. In the Asia-Pacific least developed countries, comprehensive, sustainable and inclusive development remains the priority. For this, as opposed to the narrow view of social protection as safety nets and short-term responses to crises and shocks, a broader perspective of social protection is necessary, involving both social protection and livelihood promotion.

45. Most Governments of Asia-Pacific least developed countries hold national stocks of rice or other staple foods, so that they can serve as buffers at times of volatile prices and food insecurity. Building and managing national food stocks,

however, can be complex and expensive. The Comprehensive Framework for Action of the United Nations High-level Task Force on the Global Food Security Crisis has urged countries to use national stocks of food to stabilize prices in the short term at times of price volatility and suggests that, rather than holding national stocks, it would be better to develop regional stocks or make food reserve agreements.

46. The Policy Dialogue notes that food security depends as much on income as on food availability. People who have sufficient income are more likely to have adequate access to food. Thus, effective efforts to eliminate poverty and enhance the purchasing power of the poor and other vulnerable groups will contribute towards ensuring food security. In that regard, there is a need to establish and strengthen public food distribution systems that target food support to poor households, particularly those whose members are weak or sick. Governments could consider having such food distribution systems managed by civil society groups, local enterprises or groups of small farmers. Comprehensive social protection systems can also play a vital role. Guaranteed employment for food-insecure groups is a major means of ensuring economic access to food. Public employment guarantee schemes not only ensure a minimum level of food consumption, but also help people to avoid resorting to damaging coping mechanisms that involve asset sales and indebtedness. School feeding programmes are critical in providing basic nutrition to children while encouraging attendance. Food for works and similar programmes are important to provide access to food during lean periods and other emergencies.

47. Over several decades, underinvestment in the agricultural sector has restricted productivity growth and undermined food security. The affordability and accessibility of food should be ensured to all in dealing with hunger, with the strong partnership and cooperation of the international community. In addition, the agricultural sector in many Asia-Pacific least developed countries is characterized by insufficient rural infrastructure and limited access to markets, especially for smallholders. These obstacles will be exacerbated by the effects of climate change, namely the risk of increased crop failure, new patterns of pests and diseases, lack of appropriate seeds and planting material, and loss of livestock. It is essential to revisit the implementation of measures to support the agricultural sector in initiating a new green revolution, including the conservation of natural resources and improved water management. In that context, special regional programmes for revitalizing the agricultural and rural economies in the Asia-Pacific least developed countries could form the basis for ensuring regional food security. Improved partnership among least developed countries through knowledge hubs and effective networking is needed. United Nations agencies and other development partners, with ESCAP, the Food and Agriculture Organization of the United Nations (FAO) and other agencies in the lead, could form regional information and knowledge networks and a database on food security, and share proven technologies, robust regional programmes and experiences gained in food security initiatives.

3. Strengthening productive and supply capacities

48. Scaling up, diversifying, technological upgrading and building a critical mass of productive capacity in agriculture, manufacturing and services in least developed countries are essential to bring about their structural transformation, overcome economic vulnerability and generate employment to absorb their large and preponderantly young labour force. They are also vital for poverty reduction and inclusive development. Effective domestic resource mobilization and institution-

building by least developed countries have to be supported by development-oriented FDI and targeted ODA, as well as trade policies of development partners that create favourable conditions for productive capacity-building. Fostering growth in the scale and scope of indigenous enterprises and their ability to partner with global enterprises and with production and retail chains and networks also requires support.

49. A dynamic, well-functioning and socially responsive business sector in Asia-Pacific least developed countries will be the key to generating sustainable economic growth. In this context, it is vital for the Asia-Pacific least developed countries to create financial infrastructures that provide access to a variety of financial services and products, especially to small and medium-sized enterprises and microenterprises, with particular emphasis on women, the poor and those in rural areas. This requires a diversified, well-regulated and inclusive financial system that promotes savings and channels them to productive investments, especially in rural areas. The domestic supply of long-term capital also needs to be increased by developing domestic capital markets.

50. Microfinance, including microcredit, is an effective tool in generating employment, especially self-employment, improving the well-being of poor households, including women, in the Asia-Pacific least developed countries, empowering individuals and communities, and initiating social development. Governments should provide appropriate and coordinated support to meet the rising demand for microfinance, including capacity-building for microfinance institutions.

51. The optimum pace and sequence of trade liberalization depends on the specific circumstances of each Asia-Pacific least developed country, based on its costs and benefits. Trade liberalization needs to be complemented by appropriate actions taken by countries to expand production and trade capacities; develop human resources, basic infrastructure and technologies; and implement safety nets for vulnerable groups.

52. Human and institutional development in the Asia-Pacific least developed countries is a key priority. The realization of potentials requires higher investments in human capital, especially in education and health, in accordance with country-specific strategies, the creation of employment and decent work opportunities, and the adoption of inclusive social policies. Supportive policies are needed to foster diverse local and supportive industries, including small and medium-sized enterprises, to create productive employment and strengthen local communities. Along with the provision of, and access to, financial and credit services, measures are needed to integrate the poor into productive processes, invest in their labour skills and facilitate their entry into formal labour markets. In addition, greater investments are needed to ensure universal access to basic economic and social infrastructures, create inclusive social services and support capacity-building, focusing on the specific needs of women, children, older persons and persons with disabilities, with the aim of enhancing social protection. The Policy Dialogue calls for significantly enhanced international support for the efforts of least developed countries in developing their human and institutional capacity.

53. Technological development diffusion and upgrading in least developed countries are important factors in strengthening productive and supply capacities. The science and technology and research and development capacities of these countries need to be built up both through national programmes and supported by international institutions and programmes. It is timely to consider setting up a

technology bank for least developed countries, which could transfer key technologies, including pro-poor, green, agricultural and renewable energy-related technologies.

54. In order to address the development challenges facing the Asia-Pacific least developed countries, it is vital to take specific measures to support creative, inventive and innovative activities across all economic sectors, including the involvement of universities and research institutions, and to emphasize the need for the commercialization of research outputs.

55. Least developed countries should be fully assisted in meeting all their technological development and adaptation objectives. The creation of an enabling national environment for technological capacity-building should be supported by all organizations and development partners. Least developed countries should be fully supported in the formulation of national innovation strategies and access to technological and scientific information for development.

4. Gender

56. Gender equality and women's empowerment are essential to achieving sustainable and inclusive development in the Asia-Pacific least developed countries. It requires the elimination of gender-based discrimination in all its forms, including in the labour and financial markets, as well as in the ownership of assets and property rights. The key would be to promote women's rights and economic empowerment, to effectively mainstream gender in law reforms and business support services, and to give women full and equal access to economic resources. Least developed country Governments need to reinforce gender-responsive public management, including gender budgeting, at all levels.

57. It is important for the least developed countries to work towards creating an environment in which women can play a more active role in adapting to climate change impacts and in ensuring the food and livelihood security of their households, especially in the ecologically vulnerable areas. In addition, inclusive collective actions with a focus on developing social capital, involving the local government, can play effective roles in enhancing adaptive capacities at the community level through various means, such as strengthening local voices, promoting efficiency and accountability in local government structure, and shaping the nature of climate change vulnerability among different vulnerable groups, especially women.

5. Infrastructure

58. The expansion and maintenance of infrastructure, including for transport, energy, water, and information and communications, should remain central in a new programme of action, as they are vital for the development of productive capacity as well as for combating poverty. To achieve the necessary scaling up of infrastructure provision, all stakeholders, including the public and private sectors in least developed countries and development partners, need to work together. In addition, a regional approach to the provision of infrastructure would help to overcome bottlenecks and increase efficiency. It could include the sharing of best practices in public-private partnerships for infrastructure development and delivery. Both bilateral and multilateral ODA have a key role to play in building economic and social infrastructure, particularly one that promotes universal access to essential

services, such as water, sanitation, energy, transport, shelter, health and education. FDI also has to be mobilized in synergy with ODA.

59. For the Asia-Pacific least developed countries, it is urgent to move towards a sustainable energy paradigm involving three important elements: quality of economic growth, reliance on greater energy efficiency and renewable energy, and strengthened efforts in mitigating and adapting to the effects of climate change. In addition to exploring the benefits of indigenous technologies more fully, Asia-Pacific least developed countries need to find effective ways to expand access to modern energy services to rural areas and to the poor. Greater regional cooperation in the development of clean energy technologies and movement towards low-carbon economies with reliable and sustainable energy supplies and energy efficiency are important for Asia-Pacific least developed countries to move forward, as are cooperative programmes for exploiting regional renewable energy resources. The Policy Dialogue calls for greater access to and the transfer of appropriate technologies to assist least developed countries in realizing their sustainable development priorities.

6. South-South, triangular and regional cooperation

60. The global financial crisis has exposed the shared vulnerability and interdependence of the Asia-Pacific least developed countries and other regional partners, while the global economic crisis has highlighted the limitations of the "manufactured in Asia, consumed in the West" model. There is an urgent need to reorient the Asian economies and find new engines of growth to sustain the Asia-Pacific region's dynamism, which would contribute to the achievement of inclusive development by the region's least developed countries. The reorientation of Asia-Pacific economies requires a greater dependence on domestic and regional consumption. With more than half of the world's poor living in Asia and the Pacific, especially in the least developed countries, the region has the potential to create millions of new consumers. Poverty reduction and development in the least developed countries should therefore occupy centre stage in development policy at the regional and subregional levels. Another aspect of the reorientation of the Asian economies relates to exploiting the potential of South-South, triangular and regional economic cooperation in Asia and the Pacific. Such regional economic integration processes could assist the least developed countries in securing access to larger markets and help them to build their supply capabilities by linking them to the regional production value chains. Furthermore, there are major opportunities in Asia and the Pacific for financial cooperation in generating additional aggregate demand while narrowing the development gaps by facilitating investments in infrastructure development in least developed countries and poorer countries. The region needs a financial architecture to facilitate the recycling of its huge savings and to find investment opportunities within the region for inclusive development. Such a regional architecture could be critical for sustaining the dynamism of Asia and the Pacific, including the least developed countries, while strengthening the region's resilience to financial crises.

61. The Policy Dialogue calls for greater regional and technical cooperation to support capacity-building for the development of a comprehensive framework for sustainable agriculture and forestry; climate change assessment, adaptation and mitigation; social protection and national food security programmes; effective food information systems; and the sharing of best practices in development.

62. South-South cooperation, especially the Global System of Trade Preferences among Developing Countries, should be strengthened, taking into account the special trade and economic needs and prospects of Asia-Pacific least developed countries. It is satisfying to note the increasing trend of developing countries in the Asia-Pacific region assisting their least developed country partners in capacity development and duty-free and quota-free access to their markets. Regional integration and bilateral trade and economic cooperation are important as useful instruments to expand the trade and investment of the Asia-Pacific least developed countries. Regional agreements need to promote the sustainable development of the least developed countries and should be directed to support South-South trade and cooperation initiatives, including triangular cooperation. The Policy Dialogue emphasizes the importance of strengthening regional and subregional connectivity in all different modes, such as highways, railways, waterways, pipelines and information highways, to exploit the synergies for mutual benefit. The Policy Dialogue also urges ESCAP and its regional institutions and offices to work with other regional bodies and international organizations, funds and programmes, such as FAO, the United Nations Development Programme, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Intellectual Property Organization and WTO, in strengthening the capacity of least developed countries to harness the opportunities and benefits of regional and subregional cooperation. The agenda of least developed countries should be mainstreamed in all forums so that the concerns, interests and aspirations of these countries are fully taken into account and acted upon.